



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: David Sykes

SUBJECT: MEXICAN HERITAGE PLAZA
TRANSITION PROGRESS REPORT

DATE: 02-17-11

Approved

Kim Walesh

Date

Feb. 17, 2011

COUNCIL DISTRICT: District 5

RECOMMENDATION

1. Accept the staff report updating the CED Committee on the transition plan for the Mexican Heritage Plaza (MHP).
2. Direction to staff to begin negotiations with 1stACT Silicon Valley as the Interim Incubator Operator (IIO) of the School of Arts & Culture at the Mexican Heritage Plaza and to return to Council for approval of an agreement as soon as one is negotiated.

BACKGROUND

In May of 2010 the City Council unanimously approved the Mexican Heritage Plaza Steering Committee's recommendations for the conceptual model of a School of Arts & Culture at the Mexican Heritage Plaza, as well as a Phase 2 work plan to analyze financial modeling, begin fundraising and leadership development, and plan and prototype the types of programming and curriculum to be offered.

Council directed staff to provide a progress report to CED in early 2011, provide opportunities for community input in the Steering Committee's process and make specific recommendations related to financial (including the level of future City financial support), programming, and operational issues as part of the 2011-2012 Proposed Operating Budget.

The Council also directed staff to negotiate and execute an agreement with the Alum Rock Union Elementary School District (ARUESD) to convert the second floor office space at the Mexican Heritage Plaza to classrooms and operate during the 2010-2011 school year.

ANALYSIS

ARUESD Partnership

The successful execution of the agreement with the Alum Rock Union Elementary School District (ARUESD) resulted in the following outcomes:

- 150 local first graders and their families continue to activate the Plaza on weekdays until June 2011.
- Thanks to the leadership of the San Jose City Council and Jose Manzo, Superintendent of ARUESD, Blach Construction completed the remodel of the second floor of the Plaza into three classrooms. The five total classrooms at the Plaza currently house the San Antonio School students until June, after which the classrooms will be fully available for use in implementing the future concept of the School of Arts and Culture. City of San Jose staff from the Offices of the City Manager and City Attorney, and departments of General Services, Public Works, Transportation, and Fire, were instrumental in making this transformation possible.
- Cultural Arts Partners (CAPs) Teatro Visión and the Mexican Heritage Corporation have relocated their administrative offices to 365 S. Market Street in SoFA, San Jose's arts and entertainment district. The offices of the San Jose Multicultural Artists Guild are now located at the Hoover Community Center at 1677 Park Avenue. All three organizations will continue to call the Plaza home for many of their performances and programs.

Phase 2 Progress

The Mexican Heritage Plaza Steering Committee met on Tuesday, Feb. 1st to report out on the work of the 3 teams (Fundraising/Leadership Development, Financial Modeling, and Prototyping) and discussed next steps. Summaries of the teams' reports follow:

- **Fundraising** team has secured funds from the Castellano Family Foundation, in addition to 1st ACT Silicon Valley's in-kind contribution of executive support to the process from Tamara Alvarado, Director of Multicultural Leadership, in support of Phase 2 of the Committee's work. The fundraising effort to launch the school of arts and culture is currently underway. The fundraising team is looking to institutional funders as well as organizations and individuals from the Latino community to support the execution of the vision.
- **Financial Modeling** team led a retreat in September 2010 to further develop the financial model for a future school of the arts at the Plaza. In the two day convening, a group of practitioners with both a regional and national perspective, as well as leadership from local arts and community organizations discussed the financial, organizational and leadership plan. A final business plan, including a sustainable financial plan, will be presented to City Council in May.
- **Prototyping** team is currently focused on four initiatives:
 1. Development of an RFP and selection of program providers for summer day camps at MHP
 2. Development of Guiding Principles that articulate the core program values for the future school
 3. Conducting site visits and research to identify best practices in community arts education both regionally and nationally
 4. Implementation of focus groups that target arts organizations and program providers, individual artist instructors, and the community to identify partnerships, capacity and interest

Recommendation for an Interim Incubator Operator

After providing reports on the progress of the above initiatives at the February 1, 2011 meeting, the Committee reached consensus that in order to fully execute the launching of the school of arts and culture a non-profit organization would need to take an operational role. Given that no organization yet exists with the sole mission to operate a school of arts and culture at MHP, the Committee discussed the possibility of selecting an Interim Incubator Operator (IIO) to provide a bridge, for a period of 18 months to three years, to an eventual permanent operator for the vision of creating a school of arts and culture at the Plaza. This discussion resulted in direction to City staff and the Financial Modeling Team to develop a description of the role of the IIO.

Attachment A, which describes the recommended elements of the IIO role, was approved by the Committee at its public meeting on February 15, 2011. The description of the IIO is divided into three major elements:

- **Key Operational Functions** – These are focused on developing partnerships to begin to offer school programming, developing and implementing a budget, and raising earned and contributed income for the school.
- **Key Planning & Incubation Functions** – These include working with the Steering Committee in the short-term on development of the business plan to be presented to Council in May, developing models for governance, programming, and organizational structure, and most importantly, identifying, mentoring, and developing the key leaders (with an emphasis on developing Latino leadership) of the eventual organization that would assume the ongoing responsibility of operating the school.
- **Core Qualities & Capabilities** – This category focuses on the attributes of the IIO organization, addressing understanding the vision for MHP, cultural competency, the absence of any conflict of interest in the long-term solutions, organizational capacity, and the ability to position the school to achieve the vision of sustainability, superior programming, and community accessibility that the Steering Committee has created and the Council has adopted.

In the February 15 meeting, the Committee used that description to consider potential candidate organizations to fill this role. The Committee considered a number of arts organizations, foundations, and community-based organizations that could potentially fill the role. It concluded that only 1stACT Silicon Valley could fulfill all the elements of the role as described, and recommends that staff discuss the role in more depth with 1stACT to determine whether it is willing to engage in this work. If so, the Steering Committee recommends that the CED Committee direct staff to begin negotiations of an agreement with 1stACT to serve as the IIO. Once the parties reach an agreement, staff would then return to Council and present the proposed agreement for final approval.

This recommendation raises a number of operational, legal, and financial issues that are addressed below:

Operational Issues

1stACT interest – 1stACT's next board meeting (at which the board will discuss its interest in serving as the IIO) is scheduled for February 22. The results of that board meeting were

unknown at the time this memo was written, but will be provided to the CED Committee at its February 28 meeting.

City role – Currently, the City has responsibility for operations and maintenance at the Plaza, along with events support. There are three City employees in time-limited positions in those duties, as well as a fourth staff member responsible for managing transition activities.

It is anticipated that the IIO agreement would discontinue those positions, and that the IIO would be free to hire staff based on its operating model. There will be additional logistical issues in transitioning these responsibilities, including support for already-scheduled events, management of existing maintenance contracts, and completion of the move-out of ARUESD operations. The budget implications of these changes are discussed below in the Financial Issues section.

Competitive Process

As mentioned above, the Steering Committee concluded that 1stACT was the only organization available that had all the capabilities contained in the description of the IIO role. The role as described encompasses three somewhat distinct tasks that must occur simultaneously within a limited time period: developing and coordinating a network of service providers to provide programming for the school, raising earned and contributed income to sustain that programming, and developing and nurturing a core of leaders and staff who can take over school operations in the long term. The Committee developed this role for several key reasons:

- There is no existing organization that the Committee has found with the capacity, expertise, and cultural competence to become the permanent operator now.
- As mentioned above, a key part of the funding model for the school will be to generate contributed income. Funders need to understand and support the vision for the school, but just as importantly, they need to understand and support an organization that can be held accountable for achieving that vision. Without the ability to install a permanent operator immediately, an interim organization must be able to step into that role.
- The Steering Committee's charge from the Council is the development of a sustainable business plan for the Plaza. The Committee feels that it is vital to do that work in partnership with an organization that will execute the plan, at least in the short term, so that the plan is not developed in a vacuum and later declared unworkable by the operator. This led to the conclusion that an interim incubator operator should be selected in advance of the May 2011 deadline for presenting a plan to the Council for its consideration within the context of the 2011-12 Operating Budget.

With those driving factors, the Committee approved the elements of the IIO role. The Committee then considered a number of different types of organizations that have been involved in its work over the past 20 months to develop the vision for the Plaza. These included:

- **Arts organizations**, including the Plaza's Cultural Arts Partners (Teatro Visión, Mexican Heritage Corporation, and San José Multicultural Artists' Guild), Children's Musical Theater, Movimiento de Arte y Cultura Latino Americana (MACLA), and the Community School of Music & Art in Mountain View.
- **Foundations**, including the Castellano Family Foundation and the Hispanic Foundation of Silicon Valley.

- **Community organizations**, including Somos Mayfair and the Mexican American Community Services Agency (MACSA).

While all of these organizations have been active participants in various aspects of the Steering Committee's work in developing the vision, and most have expressed interest in partnering with the school of arts and culture, all have more specific missions that do not encompass the varying responsibilities and capabilities described for the IIO.

1stACT describes (on its website) its strategic focus as being a catalytic network of leaders focused on three focus areas:

- Arts & Culture Ecosystem
- Cultural Engagement
- Silicon Valley's Urban Core

The description of 1stACT's work in the first two categories is especially appropriate for the IIO role. The definition of Arts & Culture Ecosystem work is "to support and strengthen the arts and culture industry by providing a pipeline of leadership, strategic investment funds, marketing and branding, and capacity building." The definition of work in the area of Cultural Engagement is to "broaden the range of opportunities for Silicon Valley workers, residents, children and families to become engaged in participatory cultural experiences."

1stACT has also been instrumental in creating a network of multicultural arts organizations and providing leadership development to people of color in the arts through their Multicultural Arts Leadership Initiative (MALI) program. Given the emphasis in the IIO description that the interim operator develop new leadership, with an emphasis on the development of Latino leadership, to manage the school of arts and culture into the future, 1stACT has demonstrated its ability to fulfill that charge. The growing network of multicultural arts organizations created by 1stACT initiatives also provides a pool of potential programming partners.

Further, staff will be reaching out to the most viable groups listed above as candidates considered by the Steering Committee in order to learn whether they would have any interest or ability to fulfill the IIO role. The results of that outreach will be reported to the CED Committee at its February 28 meeting.

Staff's experience with these groups, all of whom have been deeply involved in the Steering Committee's 20 month effort in developing a vision and a sustainable business plan for the Plaza, indicates that their interest is in partnering with an operator to provide programming and other support, not to be the operator themselves. Further, the unique aspects of the role as described above, and the type of work needed to bring the vision of the school from concept to reality, demand an organization with 1stACT's skill in catalyzing leadership, credibility with funding organizations, and connection and commitment to the community and to the vision. As a result, a further competitive process is not recommended, as staff is convinced it would not yield a successful result.

Financial Issues

In FY 2010-2011, MHP operations and maintenance work is supported through a City-wide appropriation of \$670,558. In addition, the General Services personal services appropriation includes approximately \$130,000 for the Transition Manager position. These expenditures are partially offset by events revenue estimated at \$120,000. This produces a net General Fund investment of approximately \$680,000.

A preliminary look at financial projections for the school indicates that the net investment could be reduced in 2011-12 by about 10%, and suggests that it may be possible to reduce that investment further in subsequent years. The City Manager's Office is considering a wide range of options for the level of investment in 2011-12 within the context of the entire General Fund budget. Ultimately, decisions will be made as to whether to include a proposal in the Manager's Proposed Operating Budget, and the Council would consider it, if one is made, as part of its 2011-12 budget review.

The Steering Committee intends to present the full business plan with financial projections to the Council in May, which will give the Council further information with which to make a budget decision.

Next Steps

Staff will enter discussions with 1stACT to determine its interest in serving as the IIO for the Plaza. If interest is established, staff will begin negotiations with 1stACT to develop an agreement. The agreement would delineate the role as described in Attachment A, as well as the level of City investment, which the Council could still consider during its 2011-2012 budget deliberations.

Another update for the CED Committee is currently scheduled in April, at which time staff could report on the status of an agreement and provide an update on the Steering Committee's progress toward developing a sustainable business plan.

The plan is expected to be presented to the Council in May, after the 2011-12 budget study sessions have been completed, so that the Council is able to consider the plan and the level of City investment in the context of the entire 2011-12 budget.

EVALUATION AND FOLLOW-UP

The Steering Committee has scheduled a March 15th meeting to provide reports to the public on the progress of the three working groups and developments regarding the IIO selection. Staff is scheduled to provide a follow-up presentation to CED in April. The Committee intends to present recommendations to the City Council in May 2011. Furthermore, staff will provide the Arts Commission with a report at its March 9th 2011 meeting. The Commission will have an opportunity to provide feedback to the Committee prior to the final recommendation to the Council.

COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE

February 17, 2011

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PUBLIC OUTREACH/INTEREST

All meetings of the MHP Steering Committee are open to the public and publicly noticed. In accordance with the Brown Act, each month's meeting announcement and the summary from the previous meeting are distributed to the public interested in the progress of the MHP Steering Committee. Agendas and meeting summaries are also posted on the City's MHP web site.

COORDINATION

This memorandum has been coordinated with the City Attorney's Office.

CEQA

Not applicable.

/s/

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For questions please contact Peter Jensen, Acting Assistant Director of Public Works,
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